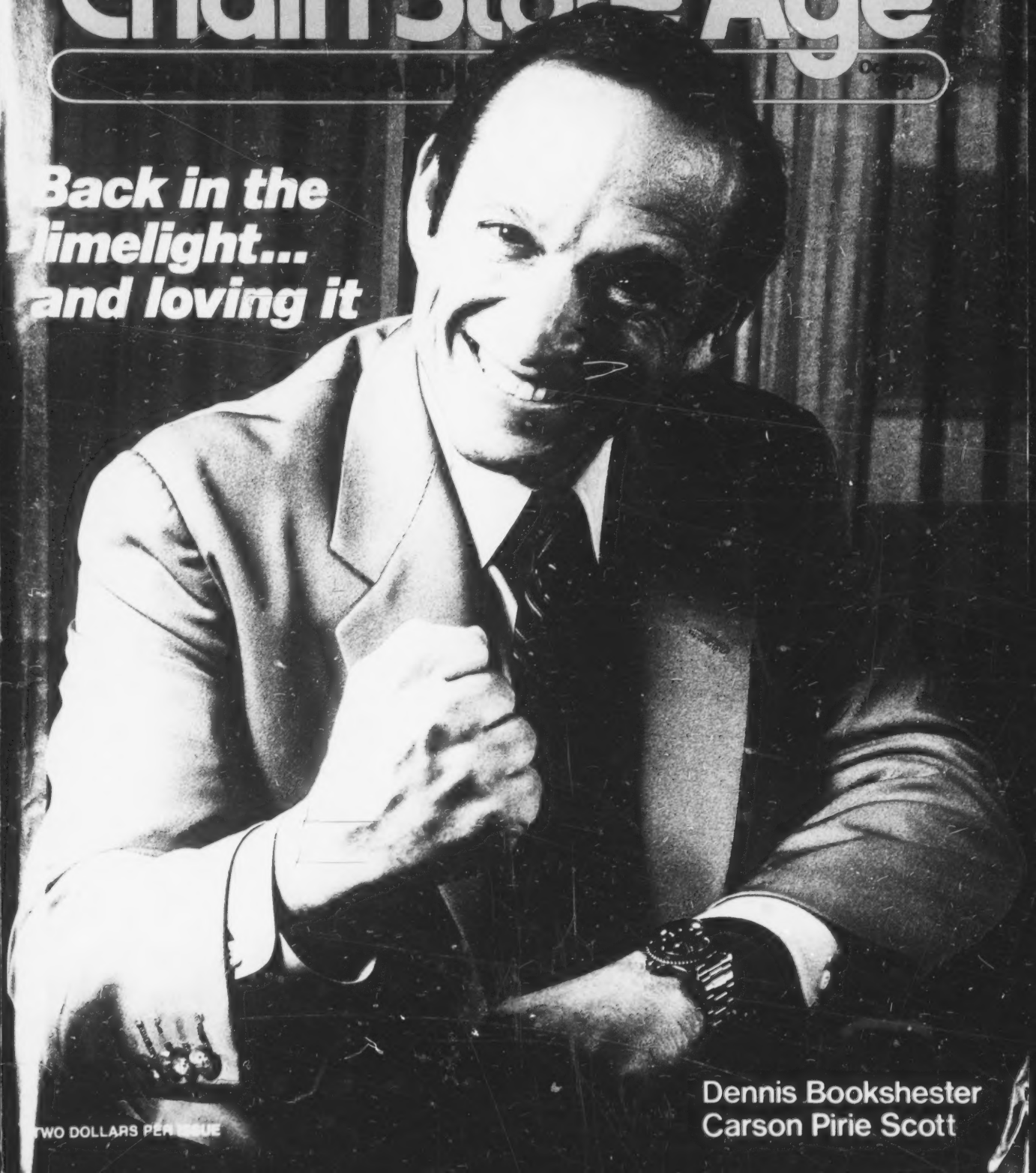
GE's Homeminder: the ultimate home computer?
Housewares: specializing in microwaves

Chain Store Age

October '84

Back in the limelight... and loving it



Dennis Bookshester
Carson Pirie Scott

TWO DOLLARS PER ISSUE

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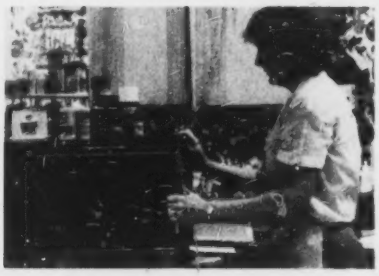

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Bigger is better for French chain

Can a European-style hypermarket succeed in the United States?

That question is about to get yet another airing as Euromarche, a French company, begins testing a large format store here. If successful, the company hopes to open up to 10 of these stores over the next five years.

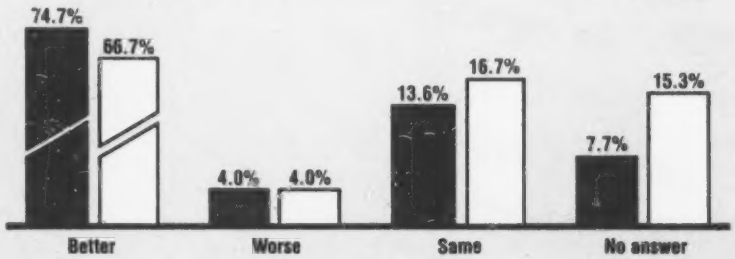
The new hypermarket, dubbed Biggs, premiered earlier this month on the outskirts of Cincinnati. A 180,000-sq.-ft. unit, Biggs is serving as the anchor of a 350,000-sq.-ft. mall of off-price stores whose tenants include Marshalls, Famous Footwear and 12 specialty food stores. The entire project, including construction of the mall and inventory for the hypermarket, reportedly cost Hyper Shoppes, the American subsidiary of Euromarche, some $20 million.

Although the food section of the mammoth store is being operated in the manner of warehouse supermarkets, with deep discount prices, the hard and soft goods presentations most clearly resemble upscale discounters in both mix and pricing. Biggs' intention to capture the upper segment of the market is apparent from the merchandising personnel it has recruited, including apparel buyers from Elder-Beerman and Shillito-Rike.

Correction

A chart published in the September 1984 issue of *Chain Store Age* incorrectly showed the results of a survey designed to measure the impact of the Reagan presidency on retailing. The correct version of the chart, which reflects data collected from a survey of ceo's at the nation's 270 largest general merchandise chains, appears below. □

Ceo's rate Reagan's impact on retailing and their companies



Source: *Chain Store Age* research

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***Discount chains** that ride the upscaling bandwagon neglect a substantial buying segment.*

Lower niche retailers produce high returns

Since the late 1970's Wal-Mart has most often been considered the company by which others in the discount industry are measured. In that time the Southern retailer has built an enviable record of compounded sales and earnings gains, growth in profit margins and declines in expense to sales ratios.

In August, however, a research team at First National Bank of Chicago published an analysis of 16 top discounters which dramatizes the strides made by two emerging companies, Family Dollar and Dollar General. In five of six categories tracked by First National, including earning power and net margin, Family Dollar ranked first. In three categories Dollar General placed second, while in two others it ranked third.

The nearly simultaneous emergence of Family Dollar, based in Matthews, N.C., and Dollar General, out of Scottsville, Ky., is not coincidental. But it is curious. Both companies have grown and prospered while resisting the most pervasive trend in retailing today, upscaling, and they continue to serve a customer which some analysts believe is being forsaken by the rest of the discounting industry.

"Most traditional discount stores are abandoning the low-priced end of the retail spectrum," observes Fred Wintzer, retail analyst for Shearson Lehman/American Express. "A void is being created in the retail offerings available to lower-income customers."

That "void," moreover, is likely to grow larger because the upscaling movement is only now reaching full stride. As a result, both Family Dollar and Dollar General are moving ahead with ambitious expansion plans, and several other chains are now eying the neglected lower-niche customer with their own version of this brand of retailing. In short, discounting's inevitable reaction against upscaling is already gathering momentum.

Upscaling discounters leave Family Dollar and Dollar General with a bigger piece of the pie.

Given the erratic performance of the economy over the last 15 years, it shouldn't be surprising that a strategy which targets low-income customers is succeeding. From 1970 to 1982, in fact, the number of households with incomes under $15,000 a year, as measured in 1982 dollars, rose by 3.9% to 37.4% of all households.

Trading down: Nearly as important to the success of these chains has been the willingness of the middle-class shopper, whose patronage is essential to the traditional discount store, to trade down. Many of these customers first discovered chains like Dollar General during the last recession and liked what they saw enough to keep coming back, especially when their customary outlets, the conventional discount store, started moving up in price points.

"We don't get all of their business now," says Family Dollar president Lewis Levine of the middle-class customer, "but those who came to us during the recession keep an eye on us. They come back for the basics."

Both Family Dollar and Dollar General have proven adept at supplying the lower-niche customer with most of her family clothing needs. Soft goods make up nearly 50% of sales at both chains, a far greater ratio than in most discount stores. The chains rely heavily on soft goods because that is where they can create excellent value for

their customers while shoring up their profit margins.

"Everyone's competitive on H&BA's," says Cal Turner Jr., president of Dollar General, "because the name brands are so recognizable. But we can make opportunistic purchases for our customers on something like men's shirts, sell them at $5 apiece, and still make a decent profit."

To market effectively to low-income customers, both chains tend to price apparel at least one point below traditional discounters and two points below upscalers. In men's and women's tops, for instance, the chains will usually price items between $4 and $6, with an occasional familiar name, like Garan, going out for $8. Adult jeans will sell for $7 to $10 in secondary brands and $12 to $15 for Wrangler, Lee and Levi.

Building profits: There is nothing downscale about the margins these chains have been able to record selling goods at such prices, and the upscaling trend has only given both chains even more room for profits. Dollar General's gross margin has grown from 27.2% in 1981 to 29.6% in 1983. Family Dollar's gross for the first six months of the current fiscal year is 37%.

To fashion these kinds of gross margins the chains have become adept at ferreting out opportunistic buys, a task made easier by the tendency of low-income customers to make their purchases later in a shopping season than most consumers.

"This kind of customer definitely shops later," says Robert Craighead gmm for Glosser Bros. in Johnstown, Pa. "When you've already reached your sales peak in a traditional discount store, a store for lower-niche customers is just starting to build sales."

Craighead has had first-hand experience serving this customer through Glosser's Dollar Bargain stores, which are spread throughout western Pennsylvania. The success of these stores in just two years of operation is testament to the viability of retail concepts which reach out to the lower-niche customers, says Craighead.

The company has already opened 19 Dollar Bargain stores and plans to have 30 in operation by year's end. Stores open for more than a year are doing $120 per square foot.

Glosser has taken the concept behind its Dollar Bargain stores and extended it another step, converting two large Gee Bee discount stores to a warehouse format targeted at lower-niche customers.

"When you're competing in a market where everyone is doing something similar, you have to distinguish yourself from them," says Craighead.

These units combine the Dollar Bargain concept of selling closeout and soft goods with a box supermarket or deep-discount drug store's approach to merchandising hard goods. Fast-moving items like soda and motor oil are sold from cut-case displays. Consumables such as shampoos and conditioners are piled high on endcaps. Closeouts on video games and bookbags are sold from well-stocked display tables situated in long power alleys. Even signing is reminiscent of box supermarkets: bold black letters on a bright yellow background.

Basics, closeouts: In its hard goods mix Glosser is lowballing basic consumables, the kinds of goods carried by every supermarket or large promotional drug store these days. But to distinguish itself from these retailers Glosser is also featuring hot deals and closeouts on everything from electric housewares to toys to sporting goods. Among the offerings at the Warehouse Outlets: Rand Delux 26-in. bikes for $79 and Ajay exercise bikes for $59.

Cook United's hope: Another chain targeting the lower-niche customer with a large format store is Cleveland-based Cook United, which is hoping to return to profitability with a renewed emphasis on the blue-collar customer.

"This is our proper customer, one being de-emphasized by much of our competition," says Russell Hansen, chairman.

Cook is taking a different tack from other retailers trying to reach

***Shoppers look** to discounters for bargain basics.*

How downscalers rate against other discounters

	Family Dollar	Dollar General	Wal-Mart	Ames	Jamesway	Heck's	Rose's	Average*
Five year compound sales gain	14.90%	18.20%	39.10%	20.50%	14.50%	2.50%	13.60%	11.8%
Five year compound earnings gain	20.60	27.20	42.80	25.40	16.40	– 9.20	23.10	13.4
Net margin	6.56	4.72	4.40	3.53	2.80	2.45	2.70	3.0
Earning power (margin X turnover)	22.40	17.60	17.40	9.90	8.40	7.28	10.50	9.9
Liquidity (sales/inventories)	4.80	2.70	5.40	4.80	4.70	3.50	4.70	4.7
Return on common shareholders' equity	25.00	19.50	25.70	20.50	17.80	8.80	16.20	17.5
Value of leases (as % of total capitalization)	24.20	9.20	20.70	28.10	38.40	11.90	45.70	23.8

*Average of 16 discount store chains tracked by First National.
(Source: Retailing companies division of First National Bank of Chicago)

this customer. The chain has actually upgraded the presentation of 14 of its stores, giving soft goods more of a fashion orientation and breaking hard goods into several small rectangular sections with short gondola runs and more promotional aisles.

At the same time, however, Cook has dropped its price points and focused on value-oriented soft goods. Within three years the chain hopes to be doing 40% of its business in soft goods, up from 17% last year.

"We think we can sneak in under the current market in soft goods," says Cook's Hansen.

Because of the size of its stores, which average between 26,300 and 74,200 sq. ft. of selling space, Cook is committed to having a broad, consistent merchandise mix, so its prices are slightly higher than those found at a Dollar General or Family Dollar. Still, the chain's prices are clearly lower than its closest competitors, K mart and Gold Circle. Dress shirts by Menswear International go out at $7.97. Just Arrived button-down shirts for women sell for $4.98.

Although companies like Glosser and Cook are discovering the value of marketing to lower-niche customers, for the time being the undisputed leaders of the concept remain Family Dollar and Dollar General. In November of last year Dollar General purchased 280 P.N. Hirsch stores from Interco and has already converted most of them to its format. Shearson Lehman's Wintzer predicts 15% to 20% earnings gains in each of the next four years for the chain. Family Dollar, meanwhile, hopes to have 1,000 stores by the end of 1986. Six years ago it operated just 304 stores.

Room to grow: Buoying the growth of these chains has been their obvious ability to find suitable new locations—another distinct advantage to serving the lower-niche customer. Unlike the large upscale discounters, which often need a shopping mall or new strip center location, these downscale retailers have been able to go into many secondary locations where rents are cheap and wages are relatively modest. Dollar General, for instance, currently pays an average of $1.60 per square foot in rent.

"This is one retailing niche that is actually not overstored," says Carol Robichaud, financial analyst with Blackstock & Co. in Jacksonville, Fla.

***Often, lower-niche** customers shop later in the season.*

***The recession** broadened many discounters' market segments.*

Both chains have gone into markets which are not large enough to support a big discount store and thus have had to compete only with local independent variety stores Even when the large discounters have come to town, they have frequently driven out the independent, leaving much of the neighborhood convenience business to the local Family Dollar or Dollar General store, which generally average just 5,000 to 7,000 sq. ft. of selling space and can resist the initial onslaught of a big discounter.

The erratic economy makes successful those strategies which target the lower-niche customer

If there is a downside to the performance of Family Dollar and Dollar General over the last several years, it lies in their sales per square foot figures, which are well below the discount industry average of $131. To a certain extent that's to be expected from retailers which shun big ticket items and keep prices generally below $15.

Nevertheless, Dollar General's Turner says that his chain should be doing more than the $75 in sales per square foot that it's currently achieving, and the chain has been refining its merchandising strategy to boost sales. To get a more consistent flow of customers the company has identified basic products in each category and now stocks them all of the time. These products might range from a boy's dress shirt in children's wear to Elmer's Glue in stationery.

As it has increased its basic offering Dollar General has decreased use of promotional tables, using more traditional racks and gondolas in order to project less of an image as a closeout retailer, although closeouts still account for about half of its soft goods sales.

Despite this emphasis on more store sales productivity, most analysts believe that the best prospects for growth at these retailers come from the abundance of locations available to them. To exploit this underdeveloped segment of retailing both chains are vigorously expanding their distribution capabilities and building large real estate teams.

Once considered on the fringes of retailing, both chains have clearly entered the mainstream.

"They might seem like good-old country boys," says Bonnie Paesek, analyst at Underwood, Neuhaus in Houston, "but don't let them fool you. These guys are great merchants. They really know what they're doing." □

—Steve Malanga

Department stores' sales picked up faster than discounters'.

Department stores outpace discounters

The tide of economic recovery may be raising all corporate ships in the retailing sea, but the sales swell is lifting some higher than others.

Consider the following facts. For five out of the first six months of the current fiscal year, Dayton Hudson's department store division has shown greater store-for-store sales gains than its Target discount division. The same holds true for Federated's department stores compared to discounters Richway and Gold Circle.

At May Company, comparable-store sales for the Venture discount division lagged department store performance for four out of the first six months. Associated Dry Goods saw Caldor's store-for-store figures trail department store totals for four months in the first half.

The phenomenon is not new to this specific stage of the economic recovery. For example, last year Dayton Hudson department stores outpaced Target 11% to 8% on a comparable-store basis. For the first half of fiscal 1984, Target's store-for-store figures show another 8% gain, compared to the department store division's 9% increase on top of last year's already strong performance.

Though none of the companies attaches any particular significance to figures for its individual operations, the industrywide nature of the phenomenon begs for an answer: Why are department stores showing greater sales gains than discount stores operated under the same corporate umbrella?

"This time around in the recovery the upper-income customer came back first to the department stores and bought apparel," says Shearson Lehman/American Express analyst Fred Wintzer. "Now the discount store customer is going back to work. As the recovery continues," Wintzer adds, "the sales advantage held by department stores over discounters will reverse."

Yet some discounters have already reaped the benefits of increased consumer spending. Bentonville, Ark.-based Wal-Mart posted store-for-store gains of 18% for the first six months of 1984. Braintree, Mass.-based Bradlees comparable-store totals rose 11% in the first half. Six month store-for-store results jumped 22% for Rocky Hill, Conn.-based discounter Ames.

It was pent-up consumer demand for hard lines, generally considered the discounters' competitive strong suit, that in 1983 led many retailers out of the latest economic doldrums.

Prudential-Bache analyst David Taylor credits increased promotional postures by the department stores for diminishing the competitive price advantage held by the discounters and boosting department store sales. "The department stores have rolled up their sleeves and decided to play hardball," says Taylor.

Department stores' competitive pricing posture, according to Taylor, is driven both by corporate design and continuing pressure from increased inventories. Prudential-Bache estimates put inventory gains 13.2% ahead of sales in June and July at Federated, 11.7% ahead at Macy's, 7.2% up at Allied and 5.9% ahead at Carter Hawley Hale.

In addition to competitive pricing, Prudential-Bache's Taylor notes that department stores are currently trading in on their traditional strengths. "In good economic times, price and price alone is less important as a shopping determinant. Fashion and quality take on increased significance," says Taylor.

In fact, there may be no single answer to explain why certain department stores are outperforming certain discount outlets or *vice versa*. The varying impact of the economic recovery upon differing customer bases certainly accounts for some of this year's totals. So can the effect of price promotion by the department stores.

Now that the economic recovery is well on its way, third and fourth quarter differences between discounter and department store outlets should better represent their true respective competitive strengths, and not just the undertow of an economic tidal wave. □

Store-for-store department store sales gains outpace discount divisions

	Feb.	March	April	May	June	July
Associated Dry Goods						
• Dept. stores	14%	2%	16%	10.5%	8%	7.4%
• Discount stores	8%	(10)%	10%	12.0%	8%	2.0%
Dayton-Hudson						
• Dept. stores	17%	3%	20%	5%	11%	13%
• Target	12%	(1)%	5%	12%	6%	7%
Federated						
• Dept. stores	12%-13%	3%-4%	15%	9%-10%	9%	9%-10%
• Discount stores	1%	(8)%	13%-14%	9%	11%-12%	8%
May Co.						
• Dept. stores	11.5%	1.5%	12%	6.3%	6.3%	11%
• Venture	10.0%	(6.2)%	25.4%	6.8%	4.7%	6%

( )=Loss
Source: Prudential-Bache Securities

electric—on a page with telephones and headed the page "Home or Office Savings." Not only did the ad prompt customers to think about possible needs, but the captions detailed each model's features so that customers could compare and contrast the two.

That same month, Abraham & Straus promoted the Brother EP 41 on the same page with the Atari 800 XL home computer and an electric typewriter from Olivetti. Like Macy's, A&S presented a step-up picture with the necessary information to aid customers in choosing the items best suited for their needs.

In-store merchandising is no different from advertisements except a salesman or sign details the typewriters. Department stores generally display all typewriters together in the electronics department. Usually they are featured on a counter, where customers can test them, and where a salesman can answer any questions.

At discount stores customers still like to test models and ask questions says Duckwall-Alco's buyer Zutavern. "We have one to show and one to go," he notes. In addition, Zutavern says suppliers teach salesmen how to operate and sell each model. Moreover, some of the newer electronic typewriters are programmed with instructions built-in. □

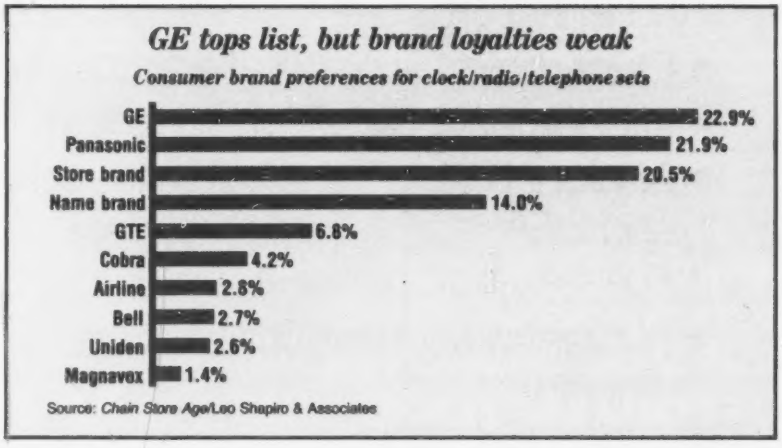
Clock/radio/phone sales are growing

Nearly half (49.2%) of consumers who might buy clock/radio/telephone combinations in the next year have no preferred brand in mind, according to the 1984 *Chain Store Age*/Leo J. Shapiro Consumer Buying Intentions Study. Also, the survey finds that almost 1 out of 4 (23.7%) prospective clock/radio/telephone customers has no particular retail outlet currently in mind.

The low brand/low store preference indicated by the poll shows that retailers' merchandising skills will be amply tested by the clock/radio/telephone combinations, since there is no pull on the consumer either to the retailer's store or to a particular brand. However, the study shows a strong demand and a good opportunity for private label products.

According to the *CSA*/Shapiro study, 3.2% of those polled plan to buy a clock/radio/telephone in the next 12 months. This compares with the 2% who expect to buy a telephone answering machine in the next year and the 7.1% who plan to buy a telephone itself. In the last year, 5.3% report buying a clock/radio/telephone.

Of those who express a brand preference, G.E. tops the list at 22.9% followed by Panasonic at 21.9%. Store brands were mentioned by 20.5% of those queried. Fourteen per cent responded "name brand" without naming a specific brand. G.T.E., Cobra, Airline, Bell, Uniden and Magnavox were also listed.



And when asked how strongly they want a particular brand, consumers show the least brand loyalty for any of the 12 consumer electronics products in this year's survey. Only 13.1% state that they definitely want their chosen brand, while 16.1% say that brand doesn't make any difference.

With half the respondents to this year's poll expressing no current brand preference, more choosing store brands, and with overall weak brand loyalties, the study shows that private label clock/radio/telephones could grab at least 3 out of 5 prospective customers.

Although 23.7% of prospective clock/radio/telephone buyers have no planned retail outlet in mind for their purchase, 11.2% say they will buy at Montgomery Ward. This represents the only consumer electronics category in this year's study for which Ward is the prime choice.

Catalog showrooms are mentioned with the next greatest frequency (11%), followed by Sears (10.6%), telephone specialty stores (9.8%) and discount stores (7.7%).

According to the poll, consumers expect to pay an average of $72 for clock/radio/telephone combinations. Two out of three (67.2%) prospective buyers plan to pay between $36 and $124. Of those who report buying in the last year, 66.4% say they bought on sale, the highest incidence of bargain buying of all the consumer electronics products studied.

The potential clock/radio/telephone customer is decidedly upscale. Nearly 7 out of 10 (69.9%) of those who bought last year or will buy in the next year have incomes over $20,000. A full 18.3% report incomes above $40,000. Professionals show an interest in buying which is double their proportion to the population as a whole.

Those who might buy are also somewhat older and have larger families than prospective buyers for other consumer electronics products. The 40-44 age group expresses an interest in clock/radio/telephones that is nearly three times its proportion to the entire population. In addition, the average family size for those who might buy in the next year or have bought in the past year stands at 3.3 people. □

***Microwave ovens** once sported hefty price tags; now they're mass-market affordable.*

Microwave growth goes macroscale

For the first six months of '84, microwave ovens led all other major appliances in factory shipments with four million shipped, an increase of 73.7% over the 2.3 million shipped during the same period last year.

Once thought of as a luxury appliance with a hefty price tag, retails are actually dropping from an average of $650 five years ago to $350 or less today. The microwave oven has become a mass market item, often footballed around with the same frequency as small electric appliances.

Retail sales should soar above $2 billion by year's end.

The industry is being driven by innovations in features, design and size and by an influx of low-priced imports from South Korea. American manufacturers say they are concerned by the recent spate of imports.

"The Korean brands are totally price-oriented," says one manufacturer, "while the Americans have a different strategy—quality. When inferior products flood the market, it can have a positive effect at first on sales, then a negative effect on consumers' perceptions of the industry as the imports often don't peform well or fill consumers' expectations.

"We look at the business as being a long-term relationship with the consumer while others are in it just for the short term. We have to combat that problem with better brand-name advertising."

Consumers are apparently in love with microwave ovens. Industry sources indicate that sales for the year should hit 7.5 million units with two-thirds of United States households owning at least one microwave

Low-priced imports spur U.S. manufacturers to compete on quality, design and popular sizes

by the mid-1980's. "At that point there will be a large replacement market," says Peter Caravella, vp/marketing for Litton Industries, "but first purchasers are still the main thrust of sales for now."

For Sears, which is a leader with about 20% of market share in oven sales, first time buyers comprise a larger percentage of sales than for any other major appliance category, where most purchases are for replacements.

Larger Sears stores stock 17 sku's of microwaves. In the store of the future format, the ovens are a major focus with a wall of ovens featured prominently on the main aisle of the appliance department.

Cards underneath each model explain to shoppers the individual features including, on several high-end ovens, preprogrammed cooking instructions for 300 recipes.

"The whole category has really grown," says a Sears spokesman, "due to changes in people's lifestyles and a desire for greater speed and efficiency in the kitchen."

A desire for smaller ovens has sparked the re-emergence of compact models into the market. "Ten years ago Sharp closed out its smaller ovens," says Sharp marketing services manager Anne Howard, "as no one wanted them then. We were just ahead of our times. By the end of this year, however, compact models may account for as much as 25% of sales."

But Howard believes it is lower prices and not size that has made microwaves so popular. "At one time, there was a typical customer," she notes, "but today there is a broad spectrum of shoppers from senior citizens to young singles."

In fact a recent *Chain Store Age*/ Leo Shapiro & Associates study shows that microwave's drawing

***Popular features** on microwave ovens are size and digital controls.*

power is strong among all age groups. Of all shoppers polled who had bought a microwave oven in the past year or planned to buy one in the coming 12 months, 28.3% were under 30. Another 24.9% were over 50. Consumers in the 30 to 39 age group accounted for 24.4%.

Retailers feel boom: Naturally, the growth in demand is being fed by all levels of retailers. Most seem to follow Sear's lead by displaying microwaves on a wall. There is, however, some confusion on whether to display ovens with major appliances or housewares.

At metro New York Stern's, for example, ovens are on a wall adjacent to small electrics with microwave cookware displayed on stackable tables in front. Six ovens—all being promoted at sale prices—were set up on portable carts along the main aisle.

Caldor, however, displays microwave ovens with appliances, showing nine sku's ranging in price from $153 for a Samsung compact model to $399 for the Sanyo microwave/convection model. Cookware was only displayed with housewares.

At K mart, a private label compact for $179 is displayed in both the appliance department (with other ovens) as well as with cookware in the Kitchen Korner. But senior buyer Donald Bratt says this cross merchandising may have to stop as he needs the space for more housewares items.

The move into the mass market is a relatively recent development. "Our primary sales are to department stores and appliance stores," says Jeff Vogel, marketing manager for Panasonic. "But there is a certain customer who shops the mass merchandisers, so we have to make ourselves available to that level of the market. While a Wal-Mart or Service Merchandise might only buy one or two models, our major customers might buy a dozen."

Not all stores have jumped on the microwave oven bandwagon. At Weinstock's, a spokesman says the company decided to drop the category and expand stereo assortments due, in part, to falling prices.

Price/discount is still mentioned most frequently as the reason to shop a particular store according to the *CSA*/Shapiro study. Sears, K mart, Penney, catalog showrooms and department stores all get improved ratings from consumers as where to shop for ovens during the coming 12 months.

Future growth: According to industry sources, sales in California and the Midwest have been building for some time. The area to watch for explosive growth is the Northeast. "During the second quarter of '84, the Northeast sold a greater percentage of microwave ovens than the west," says Sharp's Howard. "This is a significant change."

Touch controls instead of dials are also gaining market share. About 70% of all microwave oven models sold have digital panels. "It's the graphics that sell," says a Montgomery Ward spokesman. "On identical models, the one with touch controls far outsells the dials, even if the manual oven is on sale."

Ward, with an opening price point of $199 for a 0.6 cubic foot oven, has microwaves as high as $749, but "the full-size model for under $300 is the best seller," says the spokesman.

While the consumer is more educated about microwave ovens in general, there is still a need for more consumer education. Sharp encourages and supports cooking schools across the country, but some continuity in training consumers is lacking. Sears and Ward sponsor classes while most discounters do not.

Sales training is also very important. One manufacturer speculates that one reason prices have dropped is that "salesmen just don't know how to sell the ovens so they shy away from them to something more familiar. Plus, in a discount store, price is the only sales tool." □

Classes heat up microwave sales

"I've got more time for lovin' since I got my microwave oven" is emblazoned across the aprons that Bob Atkins gives away to each microwave oven customer. "It's a great close," says Atkins, "and customers love the aprons."

Atkins owns four franchises from Friedmans' microwave specialty stores in the Los Angeles area, a company founded by Arthur Friedman in 1976. In '78, the first franchise was sold. By year's end there will be 110 stores stretching from

Demand for microwave ovens shifts eastward

	% of shoppers who bought last year might buy this year	
	1982	1984
New England	4.1	6.0
Middle Atlantic	19.0	16.6
East North Central	5.5	18.0
West North Central	4.3	6.8
South Atlantic	4.7	12.8
East South Central	15.0	7.0
West South Central	11.1	9.8
Mountain	10.9	10.3
Pacific	25.4	12.6

Source: *Chain Store Age*/Leo Shapiro & Associates

nologies currently associated with the company—such as more cordless appliances. Sharply priced, competitive merchandise can win consumers and build brand loyalty. But relying solely on the name without giving the consumer any tangible reason to buy may lead to disastrous results.

Few manufacturers can match Black & Decker for production efficiencies, and the success of the Dustbuster shows that the company does have the marketing acumen to do a creditable job in building sales.

When all is said and done, however, it'll be up to the consumers. □

Retailers can make strong strides where brand identity is weak

Item	% of shoppers who prefer					
	Store brand		Advertised brand		No preference	
	'83	'84	'83	'84	'83	'84
Microwave oven	14.2	15.9	55.9	58.5	29.9	25.7
Microwave cookware	15.8	15.9	42.4	38.1	41.8	46.0
Vacuum cleaner	35.7	19.4	46.1	60.6	18.3	20.0
Bathroom scale	19.2	12.4	30.7	25.6	50.0	62.0

Source: *Chain Store Age*/Leo Shapiro & Associates

Slow cooking with private labeling

Shopping the housewares department at most retailers reveals that the private label boom has not hit this area with the same force felt in apparel.

That private labeling works and is profitable can be seen from the dramatic rise in private label apparel—currently about 8% to 10% of all apparel sales. And many retailers feel it will increase with some categories hitting 40% within the next five years.

Presently, private label merchandise is a tiny percentage of housewares sales, and retailers feel it's not easy to get a program started.

"We haven't gotten involved with private label housewares," says James Crittenden, dmm Robinson's, "because we've had a tough time finding merchandise that has the quality and the price advantage that we want to put our name on. Of course, we're always looking."

While some retailers note there are good opportunities in certain categories—marble, brass, copper, flatware—they agree that small electrics are still closely tied to brand name, although even here the consumer is shifting toward price considerations over brand name. Where brand identity is weak, retailers could indeed make strong sales gains (see chart).

Large retail corporations are beginning to see the advantages of private labeling for their national divisions. Allied Stores, for example, has four separate private label programs—for small electrics, stemware, housewares and accent furniture. "We've developed them over several years," says an Allied corporate spokesman. "Since our various divisions do not have one housewares departmental logo, we use a different name for each merchandise classification."

Currently, BATUS is working on developing a private label program that will be called The Main Ingredient. "We hope to have a table top program by '85," says Marshall Field dmm Raymond Berger.

Dayton Hudson dmm George Collins predicts the chain will also do more with private labels. Currently, the program includes woks and cookware with uniform packaging using a blue and white grid and the Marketplace logo.

The leader in private label housewares is Sears. "We basically carry our own brands," notes a Sears spokesman, "and very few national brands except where we feel they are necessary to complete an assortment."

Naturally, private labeling is not for everyone. Carson Pirie Scott, for example, would rather be known as the headquarters store for brand names.

Similarly, most discounters have stayed away from the idea. Even large chains with considerable buying power are opting to beef up brands. "We have no plans to get involved with private label housewares," says a G. C. Murphy spokesman.

Penney, Montgomery Ward and K mart—all in the process of upscaling—are increasing their commitments to branded goods. For example, in Ward's Fall '82 catalog, the opening price point on a coffeemaker was Ward's own brand at $21.99. In the current issue, the opening price is $29.99 for a Melitta appliance, and there is no Ward's brand coffeemaker.

***Private label** is starting to attract interest in cookware.*

There are, of course, some hazards along the way that retailers must try to avoid. Shortsighted merchandising is one. At an Allied store a 10-piece set of Manor House private label stainless steel cookware was featured on an aisle table for $88 (with an open stock value of $155). Just two tables away was a 12-piece set of Farberware for $85 (with an open stock value of $216). The consumer is offered a name brand, lower price, more pieces and a larger savings, so there seems to be no reason to buy the store's own brand.

While no one wants to speculate how much private label housewares will grow over the next few years, most retailers feel it is an area that has a great deal of potential. □

***Playland emphasizes** upscale lines—especially in dolls and plush.*

Playland plans are to enter new territories

Two years ago Greenman Brothers, a Long Island-based toy, housewares and stationery wholesaler acquired Playland, a 31-store retail toy chain headquartered in Valdosta, Georgia.

Today, there are 47 stores located mainly in regional malls in the southeast and plans call for another 13 to open by year's end. An additional 30 stores are on the board to open in '85 as the company pursues its expansion into the northeast in both new and existing malls. "We're currently pursuing good malls that already have one toy store but can support another," says David Yankey, Greenman Brothers vp/finance.

While it's no secret that Toys "R" Us currently captures about 12.5% of the estimated $10.4 billion toy market, two other mall toy chains—the 456-store Kay Bee chain, a division of Melville Corp. and Rite-Aid's 179 store Circus World—show that mall stores offer an economically sound alternative to toy supermarkets.

The mall strategy has paid off well for Playland too. Sales in '83 hit an estimated $18.8 million (about 16% of Greenman's total sales). As the chain continues to expand, it will increasingly come up against Kay Bee and Circus World, but Playland has one distinct advantage—the backing of Greenman Brothers.

Thought to be one of the largest distributors of toys in the country, Greenman's wholesale toy sales totaled nearly $49 million in '83, providing buying efficiencies for Playland unmatched by similar-sized chains. "They are a good buying organization with a well-conceived game plan," says Raymond, James & Associates analyst Richard Lilly.

Day to day operations for Playland are conducted by the staff in Valdosta. "They need their autonomy," says Stewart Katz, Greenman Brothers president/coo. "When we conclude a major agreement with manufacturers, Playland gets the benefit of our purchasing power, but their actual purchasing patterns are different from ours."

The stores—with a rainbow motif at the entrance—are oriented heavily toward upscale lines, with an emphasis on plush and dolls with retails up to $200. These premium priced specialty toys account for

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Apparel/Accessories
Adam Joseph Industries (415) 552-5400
Charleston Hosiery Mills (513) 321-3050
Lee Company, a Division of
Lee Byron Corp. (212) 244-4440
Rayman/Ridless Products (212) 947-6040
Sales Corporation of America
(415) 896-0707
Stride-Rite Footwear, Inc. (617) 491-8800
Underoos, A Division of Union Underwear Company, Inc. (502) 781-6400
Uniprints, A Division of Union Underwear Company, Inc. (502) 781-6400
Wilker Brothers Company, Inc.
(212) 564-7690

Food Products/Promotions
Coca-Cola USA (404) 676-2121
Kellogg Company (616) 966-2000

Home Textiles
The Bibb Company (212) 354-6300

Housewares
Chein Industries, Inc. (609) 386-2800
Deka Plastics, Inc. (201) 351-0900
King-Seeley Thermos Company
(203) 887-1671
Wallpapers-To-Go, Inc. (415) 785-7150
Wilton Enterprises, Inc. (312) 963-7100

Publishing and Music
Ballantine Books (212) 751-2600
Disneyland-Buena Vista Records
(818) 840-1000
Marvel Comics Group (212) 696-0808
Paradise Press (203) 426-0400
Polygram Records (212) 399-7100
Random House, Inc. (212) 751-2600

Stationery and Gift
Adam Joseph Industries (415) 552-5400
American Publishing Corporation
(617) 926-1800
Drawing Board Greeting Cards, Inc.
(214) 638-4800
Random House, Inc. (212) 751-2600
Sales Corporation of America
(415) 896-0707
Stuart Hall Company, Inc. (213) 724-4061
Topps Chewing Gum, Inc. (212) 768-8900
Towle/Sigma Giftware Corporation
(212) 725-4844

Toy and Juvenile Products
American Toy & Furniture Company, Inc.
(312) 271-2600
Ben Cooper, Inc. (212) 499-7025
Bradley Time Co. (212) 243-0200
Brookfield Athletic Shoe Company, Inc.
(617) 867-7406
CBS Toys (201) 330-3000
Don Post Studios, Inc. (818) 768-0811
Fundimensions (313) 949-4100
Huffy Corporation (513) 866-6251
Kenner Products (513) 579-4000
Parker Brothers (617) 927-7600
Spectra Star Kites (818) 897-2979

Miscellaneous
Atari Games, Inc. (408) 262-4490
Comdial Consumer
Communications Corp. (818) 579-1710
CooperCare, Inc. (415) 856-5000
The McCall Pattern Company
(212) 880-2600